

OWOSSO TOWNSHIP-CALEDONIA TOWNSHIP
UTILITY AUTHORITY
SHIAWASSEE COUNTY, MICHIGAN

ANNUAL FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

DECEMBER 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Owosso-Caledonia Utility Authority		County Shiawassee	
Fiscal Year End 12/31/07		Opinion Date 04/28/08		Date Audit Report Submitted to State 05/08/08			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

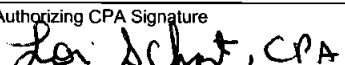
We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DEMIS AND WENZLICK, P.C.			Telephone Number 989-723-8227	
Street Address 217 N WASHINGTON STREET, SUITE 201			City OWOSSO	State MI
			Zip 48867	
Authorizing CPA Signature 		Printed Name LORI S. CHANT		License Number 1101020651

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OWOSSO TOWNSHIP-CALEDONIA TOWNSHIP UTILITY AUTHORITY
LIST OF APPOINTED OFFICIALS
DECEMBER 31, 2007

COMMISSION

John Bloomfield
Gary Schultz
Joseph Janca
Kevin Ondrus
William Pearsall

Chairman
Vice-Chairman
Trustee
Trustee
Trustee

ADMINISTRATIVE OFFICERS

David Johnson
Marjorie Renwick
John Langtry

Treasurer
Secretary
Administrator



DEMIS and WENZLICK, P.C.

Certified Public Accountants

217 N. Washington Street
Pabst Building, Suite 201
Owosso, MI 48867

989-723-8227 • FAX 989-725-5143
E-MAIL office@dw-cpa.com

James Demis, Jr., C.P.A.
LaVearn G. Wenzlick, C.P.A.
Lori S. Chant, C.P.A.
Geraldine Terry, C.P.A.

Tracy Bublitz
Vickie Clayton
Carol Demis
Jeannette Gaitskill
Kathy Kimmerer
Erica Marks
Janis Mead
Tammy Pappas
David Pullen
Dean Roach
Vicki Schuler
Joyce Simmons
Barbara Wenzlick
Bruce Wenzlick

INDEPENDENT AUDITORS' REPORT

The Owosso Township-Caledonia Township
Utility Authority
Corunna, Michigan 48817

We have audited the accompanying financial statements of the Owosso Township-Caledonia Township Utility Authority, as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Owosso Township-Caledonia Township Utility Authority, as of December 31, 2007, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented the Management Discussion and Analysis, that the Governmental Accounting Standards Board in its Statement No. 34, Basic Financial statements – and Management's Discussion and Analysis – For State and Local Governments has determined necessary to supplement, although not required to be part of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated April 28, 2008 on our consideration of the Owosso Township-Caledonia Township Utility Authority's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Owosso Township-Caledonia Township Utility Authority's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dennis and Wenzel, P.C.

Certified Public Accountants

Owosso, Michigan
April 28, 2008

OWOSSO TOWNSHIP-CALEDONIA TOWNSHIP UTILITY AUTHORITY
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	<u>Primary Government</u> <u>Business</u> <u>Type Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 167,081
Receivables	71,369
Prepays	14,647
Capital Assets (Net)	<u>8,367,032</u>
TOTAL ASSETS	<u>\$8,620,129</u>
 LIABILITIES:	
Accounts Payable	\$ <u>3,497</u>
TOTAL LIABILITIES	<u>\$ 3,497</u>
 NET ASSETS	
Investment in Capital Assets, Net of Related Debt	\$8,367,032
Unreserved:	
Unreserved	<u>249,600</u>
TOTAL NET ASSETS	<u>\$8,616,632</u>

See accompanying notes to financial statements.

OWOSSO TOWNSHIP-CALEDONIA TOWNSHIP UTILITY AUTHORITY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007

	<u>Expenses</u>	<u>Program Revenues Charges For Services</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Business Type Activities</u>
FUNCTIONS/PROGRAMS			
BUSINESS-TYPE ACTIVITIES:			
Sewer	\$665,961	\$528,819	\$ (137,142)
TOTAL BUSINESS-TYPE ACTIVITIES	\$665,961	\$528,819	\$ (137,142)
TOTAL PRIMARY GOV'T.	\$665,961	\$528,819	\$ (137,142)
GENERAL REVENUES:			
Unrestricted Investment Earnings			\$ 4,376
TOTAL GENERAL REVENUES			\$ 4,376
Change in Net Assets			\$ (132,766)
Net Assets – Beginning			8,749,398
NET ASSETS – ENDING			\$8,616,632

See accompanying notes to financial statements.

OWOSSO TOWNSHIP-CALEDONIA TOWNSHIP UTILITY AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007

Business-Type Activities
Enterprise Fund
Sewer

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 167,081
Receivables	71,369
Prepays	<u>14,647</u>
TOTAL CURRENT ASSETS	\$ <u>253,097</u>

Capital Assets

\$13,200,786

Less: Accumulated Depreciation

(4,833,754)

NET PROPERTY, PLANT AND EQUIPMENT

\$ 8,367,032

TOTAL ASSETS

\$ 8,620,129

LIABILITIES

Current Liabilities:

Accounts Payable	\$ <u>3,497</u>
TOTAL CURRENT LIABILITIES	\$ <u>3,497</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt

\$ 8,367,032

Other Unrestricted

249,600

TOTAL NET ASSETS

\$ 8,616,632

See accompanying notes to financial statements.

OWOSSO TOWNSHIP-CALEDONIA TOWNSHIP UTILITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities <u>Enterprise Fund</u> <u>Sewer</u>
OPERATING REVENUES:	
Charges for Services	\$ 490,002
Reimbursement from Local Gov't	14,873
Penalties	19,704
Other Income	<u>4,240</u>
TOTAL OPERATING REVENUES	\$ <u>528,819</u>
OPERATING EXPENSE:	
Authority Board	\$ 16,474
Public Works	13,588
Sewer Dept – Personnel	97,802
Sewer Dept – Other	317,112
Pumping Stations	35,368
Depreciation	<u>185,617</u>
TOTAL OPERATING EXPENSES	\$ <u>665,961</u>
OPERATING INCOME (LOSS)	\$ <u>(137,142)</u>
NON-OPERATING REVENUES:	
Interest Income	\$ <u>4,376</u>
TOTAL NON-OPERATING REVENUES	\$ <u>4,376</u>
Change in Net Assets	\$ (132,766)
Net Assets – Beginning of Year	<u>8,749,398</u>
NET ASSETS – END OF YEAR	<u>\$8,616,632</u>

See accompanying notes to financial statements.

OWOSSO TOWNSHIP-CALEDONIA TOWNSHIP UTILITY AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities <u>Enterprise Fund</u> <u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipt from Customer	\$ 518,835
Payments to Suppliers	(77,962)
Payments to Employees	(97,802)
Payments to Local Gov't's.	(303,578)
Other Receipts (Payments)	<u>4,240</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>43,733</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Revenue	<u>4,376</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIV.	\$ 48,109
 CASH AND CASH EQUIVALENTS BEGINNING OF YEAR – RESTATED	<u>118,972</u>
 CASH AND CASH EQUIVALENTS END OF YEAR	\$ <u>167,081</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (137,142)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	185,617
Change in Assets and Liabilities:	
Receivables/Prepays	(5,744)
Accounts Payable	<u>1,002</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>43,733</u>

See accompanying notes to financial statements.

OWOSSO TOWNSHIP-CALEDONIA TOWNSHIP UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Owosso Township-Caledonia Township Utility Authority was incorporated as a municipal corporation on February 22, 1974, by the two townships. The Authority was organized to construct and operate the sewage disposal system in the two townships.

The accounting policies of the Owosso Township-Caledonia Township Utility Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenues.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds, related to charges to customers for water sales and services and sewage disposal charges. The Water and Sewer Fund also recognizes tap fees intended to recover current costs (e.g. labor and materials to hook up new customers) as operating revenue. Connection fees intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of water, sewage disposal, operations and maintenance, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reporting as non-operating revenue and expenses.

OWOSSO TOWNSHIP-CALEDONIA TOWNSHIP UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Investments – The Authority has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired.

Receivables – Receivables are recognized for all significant amounts due the Authority. Valuation reserves have not been provided for since collection is not considered doubtful and any uncollected amounts would be immaterial.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, Plant and Equipment is depreciated using the straight line method over the following useful lives.

Office Equipment	5 to 7 years
Sewer System	20 to 75 years
Machinery and Equipment	5-10 years

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

COMPARATIVE DATA

Comparative data is not included in the Authority's financial statements.

OWOSSO TOWNSHIP-CALEDONIA TOWNSHIP UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS AND BUDGETARY ACCOUNTING

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the treasurer submits to the Authority Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the Authority to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through Board approval.

NOTE B – REPORTING ENTITY

For financial reporting purposes, in conformance with NCGA Statement No. 3, Defining the Governmental Reporting Entity, the Authority includes all funds, account groups, agencies, boards, commissions and authorities that are controlled by or dependent on the Authority's executive or legislative branches. Control by or dependence on the Authority was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Authority to finance any deficits that may occur or receipt of significant subsidies from the Authority.

Based on the foregoing criteria, there are no organizations that need to be included in the Authority's annual report.

NOTE C – CHANGES IN GENERAL ASSETS

A summary of proprietary fund type property, plant and equipment at December 31, 2007, is as follows:

	<u>Enterprise</u>
Office Equipment	\$ 11,478
Equipment	179,401
Sewer System	<u>13,009,907</u>
	\$13,200,786
Less: Accumulated Depreciation	<u>4,833,754</u>
NET	<u>\$ 8,367,032</u>

OWOSSO TOWNSHIP-CALEDONIA TOWNSHIP UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE C – CHANGES IN GENERAL FIXED ASSETS (CONTINUED)

Depreciation expense for the year ended December 31, 2007 is \$185,617.

Property, Plant and Equipment are recorded in the Authority's records at cost. Depreciation is computed by the straight-line method using lives of 5 to 75 years.

NOTE D – CONTRIBUTED EQUITY

The details of contributions in aid of construction (contributed equity) as of December 31, 2007, are shown below:

<u>Classification</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Federal Governments	\$ 7,902,126	\$2,873,965	\$5,028,161
State Governments	519,021	188,455	330,566
Local Governments	4,274,397	1,554,776	2,719,621
Construction Interest	<u>228,904</u>	<u>94,214</u>	<u>134,690</u>
	<u>\$12,924,448</u>	<u>\$4,711,410</u>	<u>\$8,213,038</u>

The Authority has elected to amortize depreciation relative to the grants against contributed capital. Accordingly, these costs are amortized over a 75 year life.

NOTE E – DEPOSITS

Michigan Compiled Laws, Section 129.91 authorizes the Authority to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency of instrumentality of the United States. United States government or federal agency obligations; repurchase agreements bankers acceptance of United States Banks, commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

OWOSSO TOWNSHIP-CALEDONIA TOWNSHIP UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE E – DEPOSITS (CONTINUED)

The Owosso Township-Caledonia Township Utility Authority's deposits and investment policy are in accordance with statutory authority.

At year end the carrying amount of the Authority's deposits with financial institutions including \$100 of petty cash was \$167,081 and the bank balance was \$190,533. Of the bank balance \$127,089 was covered by federal depository insurance and \$39,992 was insured and uncollateralized.

NOTE F – TRANSFERS TO OWOSSO AND CALEDONIA TOWNSHIP

The Authority remitted sewer collections back to the Townships. The rates are 60% to Caledonia Township and 60% to Owosso Township. The townships use the money to pay for the operations of the waste water facility by the City of Owosso. The townships are related parties to the Authority.

NOTE G – OPERATING LEASE

The Authority leases the office and garage from Caledonia Township. The monthly payment is \$300. The lease has been classified as an operating lease. Caledonia Township is a related party.

NOTE H – EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Authority's actual expenses and budgeted expenses for the budgetary funds have been shown on an activity basis. The approved budgets of the Authority for these budgetary funds were adapted to the activity level.

During the year ended December 31, 2007, the Authority incurred expenditures in certain budgetary items which were in excess of the amounts appropriated as follows:

Primary Gov't Funds <u>Business-Type Activities</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
Depreciation	\$ -0-	\$185,617	\$185,617

OWOSSO TOWNSHIP-CALEDONIA TOWNSHIP UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE I – RECEIVABLES

Receivables as of year end for the government's individual major and non-major funds in the aggregate are as follows:

	<u>Sewer</u>
Accounts Receivable – Billings	\$68,644
Accounts Receivable – Ludington Electric	<u>2,725</u>
GROSS RECEIVABLES	<u>\$71,369</u>
Due within one Year	<u>\$71,369</u>
	<u>\$71,369</u>

NOTE J – CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	<u>Balance 3-31-06</u>	<u>Increases</u>	<u>Balance 3-31-07</u>
BUSINESS-TYPE ACTIVITIES			
Capital Assets being Depreciated:			
Mains, Wells & Pumping Stations	\$13,009,907	\$	\$13,009,907
Office Equipment	11,478		11,478
Machinery and Equipment	<u>179,401</u>	<u> </u>	<u>179,401</u>
CAPITAL ASSETS BEING DEPRECIATED	<u>\$13,200,786</u>	\$ <u> </u>	<u>\$13,200,786</u>
Less Accumulated Depreciation For:			
Mains, Wells & Pumping Stations	\$ 4,483,749	\$ 179,191	\$ 4,662,940
Office Equipment	10,909	309	11,218
Machinery and Equipment	<u>153,479</u>	<u>6,117</u>	<u>159,596</u>
ACCUMULATED DEPREC.	<u>\$ 4,648,137</u>	\$ <u>185,617</u>	\$ <u>4,833,754</u>
Net Capital Assets being Depreciated	<u>8,552,649</u>	<u>(185,617)</u>	<u>8,367,032</u>
BUSINESS-TYPE CAPITAL ASSETS, NET	<u>\$ 8,552,649</u>	\$ <u>(185,617)</u>	\$ <u>8,367,032</u>

OWOSSO TOWNSHIP-CALEDONIA TOWNSHIP UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE J – CAPITAL ASSETS (CONTINUED)

Business-Type Activities:

Sewer	<u>\$185,617</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$185,617</u>

NOTE K – COMPENSATED ABSENCES

Full-time employees are allowed 40 hours of vacation time after 6 months and 80 hours after one year. Starting in the sixth year, additional vacation time accrues at the rate of 8 hours per year times the number of years over five years until an additional 80 hours is earned, at which time no more vacation time shall accrue. Vacations run from January 1, through December 31, and must be taken within the year or be forfeited.

Sick time and/or personal time accrue at ½ day per month up to a maximum of 10 days. Any unused sick or personal days can be carried over to the next year, or the employee may choose to have some or all time paid at year end. Payment is limited to one-half time accumulated.

There was no accrual for unused sick or personal time at December 31, 2007, as it is immaterial.

NOTE L – POST RETIREMENT BENEFITS

The Authority has no policy regarding post-retirement benefits. The Authority currently pays up to \$625.00 per month in insurance for each employee. No post-retirement benefits are paid currently.

REQUIRED SUPPLEMENTARY INFORMATION

OWOSSO TOWNSHIP-CALEDONIA TOWNSHIP UTILITY AUTHORITY
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual (Over) Under Final Budget</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Charges for Services	\$ 600,000	\$ 600,000	\$ 490,002	\$ 109,998
Reimbursement from Local Government	30,000	30,000	14,873	15,127
Penalties	18,000	18,000	19,704	(1,704)
Other Income	<u>11,400</u>	<u>11,400</u>	<u>4,240</u>	<u>7,160</u>
TOTAL OPERATING REVENUES	\$ <u>659,400</u>	\$ <u>659,400</u>	\$ <u>528,819</u>	\$ <u>130,581</u>
OPERATING EXPENSE:				
Authority Board	\$ 23,682	\$ 23,682	\$ 16,474	\$ 7,208
Public Works	19,716	20,716	13,588	7,128
Sewer Dept-Personnel	112,316	112,316	97,802	14,514
Sewer Dept – Other	455,700	455,700	317,112	138,588
Pumping Stations	78,000	78,000	35,368	42,632
Depreciation	<u> </u>	<u> </u>	<u>185,617</u>	<u>(185,617)</u>
TOTAL OPERATING EXPENSES	\$ <u>689,414</u>	\$ <u>690,414</u>	\$ <u>665,961</u>	\$ <u>24,453</u>
OPERATING INCOME (LOSS)	\$ <u>(30,014)</u>	\$ <u>(31,014)</u>	\$ <u>(137,142)</u>	\$ <u>106,128</u>
NON-OPERATING REVENUES:				
Interest Income	\$ <u>12,000</u>	\$ <u>12,000</u>	\$ <u>4,376</u>	\$ <u>7,624</u>
TOTAL NON-OPERATING REVENUES	\$ <u>12,000</u>	\$ <u>12,000</u>	\$ <u>4,376</u>	\$ <u>7,624</u>
Change in Net Assets	\$ 18,014	\$ (19,014)	\$ (132,766)	\$ 113,752
Net Assets – Beginning Of Year	<u>8,749,398</u>	<u>8,749,398</u>	<u>8,749,398</u>	<u> </u>
NET ASSETS – END OF YEAR	<u>\$8,731,384</u>	<u>\$8,730,384</u>	<u>\$8,616,632</u>	<u>\$ 113,752</u>



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COMMENTS AND RECOMMENDATIONS

April 28, 2008

Members of the Owosso Township-Caledonia Township
Utility Authority
Corunna, Michigan

In compliance with the provisions of Section 11 of Act 2, P.A. of 1968, we wish to render our report of comments and recommendations which were formulated as a result of the examination our firm performed on the financial statements of the Owosso Township-Caledonia Township Utility Authority for the year ended December 31, 2007.

In planning and performing our audit of the financial statements of the Owosso Township-Caledonia Township Utility Authority and for the year ended December 31, 2007, we considered its internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. As a result of our examination of the Authority's financial statements, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness as defined above. However, we noted the following reportable condition.

BUDGET

The State Revenue Sharing Distribution Law, P.A. 176 of 1980, includes a compliance requirement in budgeting. It is important under this act that expenditures do not exceed the budget. Expenditures include accounts payable at December 31. Budgeted expenditures cannot exceed budgeted revenues plus the beginning fund balance. During our audit we noticed one expenditure exceeded its budgeted amount. Care should be taken that expenditures do not exceed the budget.

We would like to thank the staff and council of the Owosso Township-Caledonia Township Utility Authority for the excellent cooperation we received for this year's audit. Our firm would be most happy to assist you in any way toward implementing the above recommendations, or any other matter the board may wish to review with us.

Very truly yours,

Dennis and Wenzel, P.C.

Certified Public Accountants



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Owosso Township-Caledonia Township
Utility Authority
Corunna, Michigan

We have audited the financial statements of the Owosso Township-Caledonia Township Utility Authority as of and for the year ended December 31, 2007, and have issued our report thereon dated April 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Owosso Township-Caledonia Township Utility Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Owosso Township-Caledonia Township Utility Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Owosso Township-Caledonia Township Utility Authority's management, officers, and the applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dennis and Wengisch, P.C.

Owosso, Michigan
April 28, 2008